

~~SECRET~~

Notes on Project 30.2043

P. 1, 1st para., next to last sent.

Show year.

P. 8, para. 1, last sent.

Not illustrated by Table 22, which shows only percent, but by Table 21. However, although Table 21 does not give data for 1950, it suggests that complete plants comprised about one-fourth of the exports of Soviet machinery and equipment to China in 1950 and 1951. This is more than "insignificant."

P. 17, last para.

Some of these "cultural" services, such as bus stations contribute little that can be measured to the level of living. Construction of schools and hospitals, however, do make a contribution, albeit not necessarily one based on free choice of the population. Therefore they may raise living standards broadly viewed, while deferring increased production. A part of this is considered by the Communists as essential to public education and social control which is no doubt regarded as an essential expenditure and hence one of the overhead features of communist society.

Your paragraph is overly didactic. I suggest shortening it by elimination of the generalizations which are somewhat in the form of topical sentences, and stating as facts the effects of the policy.

P. 19, 2d para. as marked

Beware of such claims. Handle as you did the next sentence.

P. 20, last para. as bracketed

Speculative and tendentious. Drop. You have already made your point.

P. 24, Table 2

In view of the note to P. 22, shouldn't the table show "In operation by end of 1957" instead of "Completed by..."?

P. 25, next to last line

Overgeneralization. Delete as indicated.

P. 27, Table 3

Is plant included as well as equipment?

P. 36, l. 10

~~SECRET~~

SECRET

Notes (continued)

P. 44, para. 2

Table 4 does not show the expansion of product mix as such, but the increase in rated capacity of items produced. This should be noted in the text and the table title should be altered accordingly. Note that by western standards 25,000 kw. generators are pretty small items.

P. 60, ll. 3-4

Garbled sentence?

P. 61, note

I am not so sure that crude steel is your best indicator of the availability of steel for industry since regardless of whether or not some of the finished steel comes from scrap, it is the finished steel figure that measures the availability of metal to other industries. However, the finished steel figure may not include all of the steel consumed in the pouring of castings at machine building plants.

P. 63, tabulation

It looks as though China uses a lot of cast iron in its machinery products!

P. 66, c. Excessive use of foreign equipment

Requires additional explanation as to type of foreign equipment used excessively. Are you referring now to equipment China should not have acquired at all or to that she should have attempted to build domestically?

P. 68, 1st full para.

Did the Chinese have the experience and training to design their own equipment? Isn't a period of imitation almost inevitable?

Pp. 71-81, Effects...

Is this the most appropriate subject for this section? In the interest of parallelism with I. A. Priorities, shouldn't this section be termed, "Effects...on Chinese economic objectives"? Under this heading success in achieving each of the major goals could be assessed. In discussing the growth objective its relationship to other objectives should be noted. This would permit noting that while aggregate growth was desired, the real emphasis was on the development of heavy industry.

SECRET

SECRET

Notes (continued)

P. 73, last sent.

Not clear. Do you mean 2d FYF?

Pp. 73-74

Are you implying that China should have emphasized investment in small enterprises in light industry? If she could have found outside markets for such products this might have led to more rapid growth, but this raises the question of the kind of growth China wanted. If, however, you refer to smaller scale, less mechanized machine building plants this should be made clear, particularly with reference to the kinds of small scale machine building plants that would be feasible for China.

Pp. 74-75

Not entirely limited to heavier pieces, higher speed, and labor saving. Unless machinery is used in series production of other machinery and equipment, it is difficult to obtain standardization of dimensions and interchangeability of wearing parts.

Pp. 76-77

Not entirely relevant to Chinese plans. Shouldn't the Chinese choice of machine building items for domestic production and their decision as to how to use surplus labor be made first in terms of Chinese objectives? Having evaluated these choices we can then measure the effects by external standards such as the maximizing of output and full use of resources.

P. 76, 1st para., last sent.

Cheap electric fans for whom? The Chinese? When copper is scarce and electric power both scarce and limited to urban areas? What is the attitude of the Chinese planners to the mass production of light industrial and manufactured food products?

You come closer to the problem as the Chinese view it when you criticize concentration on standardized assembly line production of machinery products. China needs and can economically produce in series certain machinery items like simple lathes, freight cars, trucks, tractors, etc., which do not require great precision in manufacturing. China also needs special industrial equipment to do things that people can't do well by hand in their back yards, such as crush ore, smelt metal, and roll steel. Some of this special equipment is nonprecision in nature and China could perhaps build it in batches. Other types of special equipment are no doubt too precise for China to build, or are required in such small quantities as not to be worth building in China.

SECRET

SECRET

Notes (continued)

Pp. 77-81

Begins as though aimed at the kind of an evaluation suggested above - i.e. the choices available to China in the context of Chinese objectives, but rapidly becomes an effort to critique China's goals and methods primarily by western economic standards. Think this through again.

Pp. 78-79

First, did the USSR supply China with overall planners and statisticians as against plant engineers and product specialists? Second, granted that the middle echelon planners need yardsticks, they must be consistent with the plan as a whole. Do the tests which you advise them to apply meet this criterion?

Pp. 79-80

Had China applied this test would she have adopted a significantly different investment program insofar as end machinery products is concerned, or would she have planned to produce about the same kinds of items but by different methods?

P. 84, 1st para.

The USSR, though more advanced industrially than China, still finds it uneconomic to try to meet all of its needs for specialized industrial equipment, particularly items expensive to develop, which cannot economically be put into series production, and for which there is a limited demand. The USSR is currently trying to buy such items in the West. Would it not be equally good policy for China to continue in the near future to acquire specialized heavy machinery from Bloc or Western sources? Is China's difficulty due to her reliance on the USSR or to her immature desire to break away?

P. 84, B. Programs to Restore Balanced Growth

Is this correct? Don't many observers believe this was a Bloc-wide mistake, for which the USSR was responsible. Still following the leadership of the USSR in this respect, the whole Bloc is now striving to restore the materials balance, except that in some of the satellites, where it is uneconomic or where the raw materials are lacking the USSR is underwriting the materials deficit by supplying iron ore, oil, and the like. With respect to the redressing of its imbalances, it can be reasoned that China is still following Soviet leadership.

P. 87

Excellent.

P. 88

SECRET

SECRET

Notes (continued)

P. 88 (cont'd.)

test, over the long run, can it not?

Pp. 91-99

Excellent.

P. 108, Appendix A

Does the metal processing sector include nonmilitary electronics?
Consumer hard goods and electronics?

P. 115, Table 7

Show units: Million yuan.

Do figures include both plant and equipment? Clarify in note a.
likewise in Table 9, p. 117 and Table 10, p. 118.

Move note d to 1953-57 column.

P. 118, Table 10

Show units.

P. 124, Table 14

Use the revised 1958 machine tool and other machinery numbers.

P. 141, 1st para.

Are you sure the First Ministry was created for the reason stated, or
is this a deduction? The Bloc countries have frequently split and re-
combined their ministries, not always for reasons of size or importance.
Unless this statement can be documented better drop it as suggested on
p. 141.

SECRET